

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Branch-Hillsdale-St. Joseph Comm. Health	County Branch
Fiscal Year End 9/30/2006	Opinion Date 12/15/2006	Date Audit Report Submitted to State 2/23/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

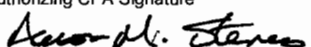
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**Branch - Hillsdale - St. Joseph
Community Health Agency
Coldwater, Michigan**

FINANCIAL STATEMENTS

September 30, 2006

Branch - Hillsdale - St. Joseph
Community Health Agency

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Principals

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ABRAHAM & GAFFNEY, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Public Health
Branch - Hillsdale - St. Joseph
Community Health Agency
Coldwater, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Branch - Hillsdale - St. Joseph Community Health Agency as of and for the year ended September 30, 2006, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Branch - Hillsdale - St. Joseph Community Health Agency as of September 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2006, on our consideration of the Branch - Hillsdale - St. Joseph Community Health Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying other supplementary information and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 15, 2006



Branch-Hillsdale-St. Joseph Community Health Agency

*"Your Community Partner
in Public Health"*

Management's Discussion and Analysis For Fiscal Year Ended September 30, 2006

This section of the annual financial statements, titled Management's Discussion and Analysis, represents the administration's review of the Agency's financial performance during the fiscal year ended September 30, 2006. The Management's Discussion and Analysis is intended to be read in conjunction with the Agency's financial statements.

Generally accepted accounting principles (GAAP) according to GASB 34 require the reporting of two types of financial statements: Government-wide financial statements and Fund Level financial statements.

Financial Highlights

- The assets of the Agency exceeded its liabilities at September 30, 2006, by \$877,683 at the government-wide level. Of this amount, \$863,516 (unrestricted net assets) may be used to meet the Agency's ongoing obligations.
- The Agency's total net assets increased \$19,285 as a result of this year's operations.
- As of September 30, 2006, the Agency's governmental fund reported an ending fund balance of 1,054,526 an increase of \$37,870.
- As of September 30, 2006, the unreserved and undesignated fund balance was \$772,138, or approximately 11 percent of total fund expenditures.

Overview of the Financial Statements

The Branch-Hillsdale-St. Joseph Community Health Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Agency. They present an overall view of the Agency's finances, reporting the assets and liabilities on fiscal year ending September 30, 2006.

The statement of net assets presents information on all of the Branch-Hillsdale-St. Joseph Community Health Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during fiscal year 2005/06. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

All activities of the Branch-Hillsdale-St. Joseph Community Health Agency's are supported by intergovernmental revenues, governmental grants, fees and charges for services, interest and rents, and contributions. The governmental activities of the Agency are all considered health and sanitation programs. The Area Agency on Aging (AAA) is an autonomous department within CHA responsible for administering Federal and State funds to local aging programs and organizations within our two (2) county planning and service area (Branch & St. Joseph Counties only). We are designated by the Michigan Office of Services to the Aging (OSA) to carry out this function. The Agency does not operate any programs that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include only financial information related to the Branch-Hillsdale-St. Joseph Community Health Agency.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Branch-Hillsdale-St. Joseph Community Health Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Agency operates with one fund, which is considered a governmental fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Branch-Hillsdale-St. Joseph Community Health Agency adopts an annual appropriated budget for its Health Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic financial statements can be found on pages 1-6 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-14 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 15. Other supplementary information concerning support services and expenditures of federal awards can be found on pages 16-29 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Branch-Hillsdale-St. Joseph Community Health Agency, assets exceeded liabilities by \$877,683. A comparative analysis of net assets as of September 30, 2006 and 2005 are presented below:

	<u>2006</u>	<u>2005</u>
Current assets	\$1,504,941	\$1,497,390
Capital assets	<u>14,167</u>	<u>15,573</u>
Total assets	1,519,108	1,512,963
Current liabilities	595,058	611,904
Non-current liabilities	<u>46,367</u>	<u>42,661</u>
Total liabilities	641,425	654,565
Net assets		
Invested in capital assets	14,167	15,573
Unrestricted	<u>863,516</u>	<u>842,825</u>
Total net assets	<u>\$ 877,683</u>	<u>\$ 858,398</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) increased by \$20,691. This represents an increase of approximately 2 percent. The current level of unrestricted net assets for our governmental activities stands at \$863,516, or approximately 12 percent of annual expenses. This is within our desired range.

The following table shows the comparative changes in net assets as of September 30, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Program revenues		
Charges for services	\$ 880,357	\$ 886,713
Operating grants and other/contributions	5,039,117	4,704,444
General revenue		
County appropriations	965,646	947,187
Cigarette tax	56,687	60,706
Interest	<u>37,356</u>	<u>21,658</u>
Total revenues	6,979,163	6,620,708
Program Expenses	<u>6,959,878</u>	<u>6,493,322</u>
Change in net assets	<u>\$ 19,285</u>	<u>\$ 127,386</u>

During the year, charges for services decreased approximately \$6,356. Operating grants and other/contributions increased by \$334,673. The increased grants were the Transportation Director of St. Joseph County, HSN Coordinator – Hillsdale County, GS Coordinator – St. Joseph County, and additional grants to the Parent Ed Program in Hillsdale County.

Additional State Agreement monies were received for the Single Point of Entry for Branch and St. Joseph Counties. In the Emergency Preparedness Program there was additional revenue given for the Pandemic Flu Supplemental. Participation in the Women, Infants, and Children Nutrition Program (WIC) has grown substantially and also increased our funding. Family Planning added a new program in July called Planned First which also enlisted more enrollment efforts by clinic managers along with enrollments for the County Health Plan. The Vision and Hearing Programs received reinstated local public health operations monies which were lost in the previous fiscal year.

Total expenses increased approximately 7% over last year. Significant reasons for the increase were associated with the Agency's building renovations with the Hillsdale and Three Rivers offices. Also some increased cost in on-going programs. Although, the Agency had increases in general salary and cost-of-living adjustments, increases in on-going health insurance costs, and the Agency Retirement Fund (MERS), the staffing issues offset the expenses in total.

Financial Analysis of the Government's Fund

As noted earlier, the Branch-Hillsdale-St. Joseph Community Health Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund: The focus of the Branch-Hillsdale-St. Joseph Community Health Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Branch-Hillsdale-St. Joseph Community Health Agency's financing requirements. In particular, unreserved-undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Branch-Hillsdale-St. Joseph Community Health Agency's governmental fund reported an ending fund balance of \$1,054,526, an increase of \$37,870 in comparison with the prior year. Of this total, \$71,631 has been reserved for prepaid expenditures. There has been \$210,757 designated for vacation and personal leave. The unreserved and undesignated fund balance at September 30, 2006, was \$772,138.

As a measure of the governmental fund's liquidity, it may be useful to compare both unreserved fund balance and unreserved-undesignated fund balance to total fund expenditures. Unreserved fund balance represent approximately 14 percent of total fund expenditures, while unreserved-undesignated fund balance represents approximately 11 percent of total fund expenditures.

Governmental Fund Budgetary Highlights

Over the course of the year, the Branch-Hillsdale-St. Joseph Community Health Agency's Board of Directors amended the budget to take into account events that occurred during the year. The most significant change was an increase to intergovernmental Federal/State grants. Grants were received after the original budget which increased staff and fringes. Because the grant revenue is tied to performance, the offset for this amended was to increase program costs.

Increases in anticipated charges for services, interest, and rents collected were offset, resulting in very little difference in total.

Capital Asset and Debt Administration

Capital Assets: The Branch-Hillsdale-St. Joseph Community Health Agency's investment in capital assets as of September 30, 2006, amounts to \$14,167 (net of accumulated depreciation).

Long-term Obligations: The Branch-Hillsdale-St. Joseph Community Health Agency does not have any outstanding debt issues. The only long-term obligation the Agency currently has relates to compensation (e.g., unused vacation and personal leave). The total liability for this long-term obligation at September 30, 2006, is \$210,757.

Economic Factors and Next Year's Budget and Rates

For the fiscal year ending September 30, 2007, we anticipate no cuts to budgeted State programs provided through the Comprehensive Planning, Budgeting and Contracting (CPBC) agreement with the Michigan Department of Community Health. Family Planning Program will be closed by September 30, 2007. The Environment Health will be involved in Methamphetamine Lab clean-up that will increase revenue for EH. Health Promotion will continue to seek out grants which will expand current grant programs to increase funding.

Because the services of the Branch-Hillsdale-St. Joseph Community Health Agency are provided based on need and not the ability to pay and the financial condition of the Branch-Hillsdale-St. Joseph Community Health Agency is healthy, the budget for the fiscal year ending September 30, 2007, did not incorporate an increase in any fees charged for services to the general public at that time.

Requests for Information

This financial report is designed to provide a general overview of the Branch-Hillsdale-St. Joseph Community Health Agency's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

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Branch-Hillsdale-St. Joseph Community Health Agency
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BASIC FINANCIAL STATEMENTS

Branch - Hillsdale - St. Joseph
Community Health Agency

STATEMENT OF NET ASSETS

September 30, 2006

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 913,652
Accounts receivable	46,401
Due from other governmental units - Federal/State	229,452
Due from others	125,000
Prepaid expenses	71,631
Inventory	118,805
Total current assets	1,504,941
Noncurrent assets	
Capital assets, net of accumulated depreciation	14,167
TOTAL ASSETS	1,519,108
LIABILITIES	
Current liabilities	
Accounts payable	154,188
Accrued wages	119,359
Other accrued liabilities	15,290
Deferred revenue	141,831
Current portion of compensated absences	164,390
Total current liabilities	595,058
Noncurrent liabilities	
Noncurrent portion of compensated absences	46,367
TOTAL LIABILITIES	641,425
NET ASSETS	
Invested in capital assets	14,167
Unrestricted	863,516
TOTAL NET ASSETS	\$ 877,683

See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph
Community Health Agency

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenues and
		Services	Grants and	Changes in
			Contributions	Net Assets
				Governmental
				Activities
Governmental activities:				
Personal health	\$ 4,487,491	\$ 365,874	\$ 3,554,848	\$ (566,769)
Environmental health	1,159,797	472,517	522,036	(165,244)
Aging services	973,533	-	907,382	(66,151)
Administration	282,162	40,402	-	(241,760)
Other	56,895	1,564	54,851	(480)
Total governmental activities	<u>\$ 6,959,878</u>	<u>\$ 880,357</u>	<u>\$ 5,039,117</u>	(1,040,404)
General revenues				
Interest				37,356
County appropriations				
Regular				933,032
Other				32,614
Cigarette tax				<u>56,687</u>
TOTAL GENERAL REVENUES				<u>1,059,689</u>
CHANGE IN NET ASSETS				19,285
Net assets, beginning of the year				<u>858,398</u>
Net assets, end of the year				<u>\$ 877,683</u>

See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph
Community Health Agency

GOVERNMENTAL FUND BALANCE SHEET

September 30, 2006

	Special Revenue
ASSETS	
Cash	\$ 913,652
Accounts receivable	46,401
Due from other governmental units - Federal/State	229,452
Due from others	125,000
Prepaid expenditures	71,631
Inventory	118,805
TOTAL ASSETS	<u>\$ 1,504,941</u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 154,188
Accrued wages	119,359
Other accrued liabilities	15,290
Deferred revenue	161,578
TOTAL LIABILITIES	450,415
FUND EQUITY	
Fund balance	
Reserved for prepaid expenditures	71,631
Unreserved	
Designated for vacation and personal leave	210,757
Undesignated	772,138
TOTAL FUND EQUITY	<u>1,054,526</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,504,941</u>

See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph
Community Health Agency

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

September 30, 2006

Total fund balance - governmental fund \$ 1,054,526

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 157,865	
Accumulated depreciation is	<u>(143,698)</u>	14,167

Long-term liabilities are not due and payable in the current period
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Compensated absences	(210,757)
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Revenues not received within a specified period of time after year end are not considered
"available" to pay current period expenditures and therefore are recorded as deferred
revenues at the fund level.

<u>19,747</u>

Net assets of governmental activities	<u><u>\$ 877,683</u></u>
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See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph
Community Health Agency

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND

Year Ended September 30, 2006

	Special Revenue
REVENUES	
Licenses and permits	\$ 252,370
Intergovernmental	
Federal/State	4,750,131
Local	9,248
Charges for services	711,503
Interest and rents	77,279
Other - contributions	156,636
	<hr/>
TOTAL REVENUES	5,957,167
EXPENDITURES	
Current	
Salaries and wages	2,810,674
Fringe benefits	928,371
Supplies and materials	1,223,288
Contractual	924,588
Communications	110,682
Travel and training	184,242
Insurance	81,659
Repairs and maintenance	46,049
Building and equipment lease and rentals	536,193
Printing and advertising	43,581
Postage	20,941
Other	31,362
	<hr/>
TOTAL EXPENDITURES	6,941,630
	<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(984,463)
OTHER FINANCING SOURCES	
Operating transfers in	
County appropriations - regular	933,032
County appropriations - other	32,614
Cigarette tax	56,687
	<hr/>
TOTAL OTHER FINANCING SOURCES	1,022,333
	<hr/>
NET CHANGE IN FUND BALANCE	37,870
Fund balance, beginning of year	1,016,656
	<hr/>
Fund balance, end of year	\$ 1,054,526
	<hr/> <hr/>

See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph
Community Health Agency

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Net change in fund balance - governmental fund	\$	37,870
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	(1,406)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues at the fund level. In the current year, these amounts consist of:

(Decrease) in deferred charges for services	(337)
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences	<u>(16,842)</u>
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Change in net assets of governmental activities	\$	<u>19,285</u>
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See accompanying notes to financial statements.

Branch - Hillsdale - St. Joseph
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Branch - Hillsdale - St. Joseph Community Health Agency is a joint venture between Branch, Hillsdale, and St. Joseph Counties, and was established to provide public health services. The Community Health Agency Board has representation and provides services to Branch, Hillsdale, and St. Joseph Counties. Each County provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the Community Health Agency requires Branch, Hillsdale, and St. Joseph Counties to provide approximately 30, 30, and 40 percent, respectively.

The primary revenues of the Branch - Hillsdale - St. Joseph Community Health Agency are charges for services, Federal and State grants and County appropriations.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements are exclusive presentations of the financial condition and results of operations of the Branch - Hillsdale - St. Joseph Community Health Agency. The Agency is considered a "joint venture" of Branch, Hillsdale, and St. Joseph Counties.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Agency as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

The statement of activities presents the direct functional expenses of the Agency and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all County appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Agency.

FUND FINANCIAL STATEMENTS

The Agency uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Agency's individual major fund.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the Agency is:

- a. Special Revenue Fund - This fund is used to account for all financial resources of the Agency, which are restricted to expenditures for specified health related purposes.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues, which are considered measurable but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

5. Budgets and Budgetary Accounting

The annual budget of the Agency is prepared by Agency management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

6. Cash

Cash consists of the Agency's payroll and accounts payable checking accounts, branch office depository accounts, imprest cash, and cash on deposit with the Branch County Treasurer.

7. Receivables and Deferred Revenue

Receivables consist of amounts due from governmental units for various grant programs and accounts receivable for charges for services to clients and other organizations.

The Agency has recognized the revenue related to charges for services at the time the services are performed and billed to the extent such amounts are estimated to be received. Contractual adjustments by third-party payers are treated as a reduction to revenues.

The Agency has recorded deferred revenue at both the government-wide and the fund level equaling the amount of vaccine inventory received from the State of Michigan that is on hand at year-end. The Agency has also recorded deferred revenue at the fund level for amounts due to the Agency but not collected within sixty days of fiscal year-end.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventory consists of vaccines received from the State of Michigan. Vaccine inventory on hand at year-end has been reported as deferred revenue.

9. Capital Assets

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	7 years
Equipment	4-10 years

The Agency has no assets that would be classified as infrastructure assets.

10. Compensated Absences

The Agency employees are granted vacation and personal leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and personal time. This amount, along with related payroll taxes has been recorded as a current and long-term liability in the government-wide financial statements.

11. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Agency is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE B: CASH - CONTINUED

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. As of September 30, 2006, the carrying amount of the Agency's deposits was \$11,983 and the bank balance was \$181,386, of which \$146,310 was covered by federal depository insurance. The balance of \$35,076 was uninsured and uncollateralized.

The cash balances reported in the basic financial statements include \$6,629 in imprest cash and \$895,040 in cash that is on deposit with the Branch County Treasurer. The cash on deposit with the Branch County Treasurer is part of the County pooled cash and investments. As a result, the insured and uninsured amounts related to these amounts cannot be determined.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2006, the Agency held no investments that would be required to be rated.

Interest rate risk

The Agency has not adopted a policy to address interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Agency has not adopted a policy to address concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer.

Custodial credit risk

The Agency has not adopted a policy to address custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer.

Branch - Hillsdale - St. Joseph
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE C: CAPITAL ASSETS

The following provides a summary of the changes in capital assets for the year ended September 30, 2006:

	<u>Balance Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2006</u>
Governmental activities:				
Equipment	\$ 135,142	\$ -	\$ -	\$ 135,142
Land Improvements	<u>22,723</u>	<u>-</u>	<u>-</u>	<u>22,723</u>
Totals at historical cost	157,865	-0-	-0-	157,865
Less accumulated depreciation for:				
Equipment	(129,124)	(1,301)	-	(130,425)
Land Improvements	<u>(13,168)</u>	<u>(105)</u>	<u>-</u>	<u>(13,273)</u>
Total accumulated depreciation	<u>(142,292)</u>	<u>(1,406)</u>	<u>-0-</u>	<u>(143,698)</u>
Capital assets, net	<u>\$ 15,573</u>	<u>\$(1,406)</u>	<u>\$ -0-</u>	<u>\$ 14,167</u>

Depreciation expense appears on the statement of activities in these governmental functions: Personal Health \$880, Environmental Health \$235, Aging Services \$197, Administration \$57, and Other \$37.

NOTE D: COMPENSATED ABSENCES

Employees of the Branch - Hillsdale - St. Joseph Community Health Agency are granted vacation and personal leave in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated vacation at full current rate of pay to a maximum of 360 hours, and accumulated personal leave at full current rate of pay of hours accumulated up to a maximum of 30 hours.

Accumulated vacation leave and personal pay represents a liability to the Agency, which is presented in a current and long-term portion of the liability. For this reason, the total liability is reported in the government-wide financial statements and represents a current liability of \$164,390 and a long-term liability of \$46,367 at September 30, 2006. Payments to employees for vacation leave and personal pay are recorded as expenditures when they are used and payments are actually made to the employees.

The following is a summary of changes in compensated absences for the year ended September 30, 2006:

	<u>Balance Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2006</u>	<u>Amount Due Within One Year</u>
Compensated Absences	<u>\$ 193,915</u>	<u>\$ 16,842</u>	<u>\$ -0-</u>	<u>\$ 210,757</u>	<u>\$ 164,390</u>

Branch - Hillsdale - St. Joseph
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE E: RETIREMENT PLAN

Plan Description

The Agency participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the Agency. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees of three (3) percent of wages depending on the employee group covered. The Agency is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended September 30, 2006, the Agency's annual pension cost of \$187,606 for the plan was equal to the Agency's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation and (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period.

Three (3) year trend information

	Year Ended December 31,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial value of assets	\$ 7,609,451	\$ 8,162,790	\$ 8,662,574
Actuarial accrued liability (AAL) (entry age)	7,328,279	8,234,660	8,648,591
Unfunded (overfunded) AAL	(281,172)	71,870	(13,983)
Funded ratio	104 %	99 %	100 %
Covered payroll	2,441,083	2,552,172	2,421,635
UAAL as a percentage of covered payroll	0 %	3 %	0 %
	Year Ended September 30,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Annual pension cost	\$ 125,397	\$ 157,596	\$ 187,606
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

Branch - Hillsdale - St. Joseph
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE F: DEFERRED COMPENSATION

The Branch - Hillsdale - St. Joseph Community Health Agency offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all Agency employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan is administered through the National Association of Counties (NACO) and Nationwide Retirement Solutions.

Legislative change has been made to 457 plans which mandate that no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of public employees creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. As of September 30, 1999, the Agency had implemented changes to be in compliance with the new requirement. As a result, the plan assets are not reported by the Agency because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

NOTE G: RISK MANAGEMENT

The Agency carries commercial insurance for the risk of loss due to workers' compensation claims.

The Agency also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Agency has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE H: NON-CANCELABLE OPERATING LEASE OBLIGATIONS

The Branch - Hillsdale - St. Joseph Community Health Agency has entered into twenty-year, non-cancelable long-term leases with NHF Sub St. Joseph and Hillsdale Public Health Building Corporation, nonprofit organizations, for the St. Joseph and Hillsdale branch offices space, respectively.

<u>Hillsdale</u>	
2007	\$ 79,200
2008	79,200
2009	79,200
2010	79,200
2011	79,200
2012 and thereafter	<u>178,200</u>
	574,200

Branch - Hillsdale - St. Joseph
Community Health Agency

NOTES TO FINANCIAL STATEMENTS

September 30, 2006

NOTE H: NON-CANCELABLE OPERATING LEASE OBLIGATIONS - CONTINUED

<u>St. Joseph</u>	
2007	\$ 72,000
2008	72,000
2009	72,000
2010	72,000
2011	72,000
2012 and thereafter	<u>378,000</u>
	<u>738,000</u>
 TOTAL PAYMENTS	 <u>\$ 1,312,200</u>

NOTE I: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance that the Agency has set aside for specific purposes.

The following are the fund balance reserves as of September 30, 2006:

Reserved for prepaid expenditures	<u>\$ 71,631</u>
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The following are the fund balance designations as of September 30, 2006:

Designated for vacation and personal leave	<u>\$ 210,757</u>
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NOTE J: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the required supplementary information budgetary compensation schedule, the Agency's budgeted expenditures in the Special Revenue Fund have been shown at the functional classification level. The approved budget of the Agency has been adopted at the total expenditure level.

During the year ended September 30, 2006, the Agency incurred expenditures in excess of the amounts appropriated as follows:

<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
\$ 6,861,224	\$ 6,941,630	\$ 80,406

REQUIRED SUPPLEMENTARY INFORMATION

Branch - Hillsdale - St. Joseph
Community Health Agency

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 257,050	\$ 257,040	\$ 252,370	\$ (4,670)
Intergovernmental				
Federal/State	4,484,920	4,662,516	4,750,131	87,615
Local	657	14,255	9,248	(5,007)
Charges for services	576,437	676,793	711,503	34,710
Interest and rents	61,441	71,903	77,279	5,376
Other - contributions	66,990	165,450	156,636	(8,814)
TOTAL REVENUES	5,447,495	5,847,957	5,957,167	109,210
EXPENDITURES				
Current				
Salaries and wages	2,705,243	2,780,652	2,810,674	(30,022)
Fringe benefits	930,540	955,928	928,371	27,557
Supplies and materials	954,542	1,088,987	1,223,288	(134,301)
Contractual	878,345	909,799	924,588	(14,789)
Communications	104,717	118,595	110,682	7,913
Travel and training	166,123	171,164	184,242	(13,078)
Insurance	77,736	80,090	81,659	(1,569)
Repairs and maintenance	52,377	41,733	46,049	(4,316)
Building and equipment lease and rentals	503,707	610,895	536,193	74,702
Printing and advertising	33,850	44,943	43,581	1,362
Postage	19,965	22,154	20,941	1,213
Other	38,076	36,284	31,362	4,922
TOTAL EXPENDITURES	6,465,221	6,861,224	6,941,630	(80,406)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,017,726)	(1,013,267)	(984,463)	28,804
OTHER FINANCING SOURCES				
Operating transfers in				
County appropriations - regular	833,860	861,431	933,032	71,601
County appropriations - other	123,160	91,130	32,614	(58,516)
Cigarette tax	60,706	60,706	56,687	(4,019)
TOTAL OTHER FINANCING SOURCES	1,017,726	1,013,267	1,022,333	9,066
NET CHANGE IN FUND BALANCE	-0-	-0-	37,870	37,870
Fund balance, beginning of year	1,016,656	1,016,656	1,016,656	-0-
Fund balance, end of year	<u>\$ 1,016,656</u>	<u>\$ 1,016,656</u>	<u>\$ 1,054,526</u>	<u>\$ 37,870</u>

OTHER SUPPLEMENTARY INFORMATION

Branch - Hillsdale - St. Joseph
Community Health Agency

SCHEDULE OF SUPPORT SERVICES

MICHIGAN OFFICE OF SERVICES TO THE AGING

Year Ended September 30, 2006

	Title III-B Services	Title III-B Administration	Title III-C1	Title III-C2
EXPENSES				
Personal care	\$ 11,850	\$ -	\$ -	\$ -
Homemaker	11,850	-	-	-
Chore service	3,753	-	-	-
Home delivered meals	-	-	-	60,834
Adult day care	-	-	-	-
Care management	-	-	-	-
Respite care	2,124	-	-	-
Case coordination and support	6,000	-	-	-
Congregate meals	-	-	135,657	-
Transportation	30,630	-	-	-
Legal Assistance	9,000	-	-	-
Information and referral	-	-	-	-
Home repair	4,000	-	-	-
Counseling	-	-	-	-
Friendly reassurance	5,340	-	-	-
Personal emergency response	-	-	-	-
Disease prevention and health promotion	-	-	-	-
Program development	16,139	-	-	-
Supplemental services	-	-	-	-
Ombudsman	4,000	-	-	-
MMAP	-	-	-	-
Administration	-	40,535	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	\$ 104,686	\$ 40,535	\$ 135,657	\$ 60,834

Title III-D	Title III-E	NSIP	Targeted Care Management	State Access	State In-Home
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,585
-	-	-	-	-	17,586
-	-	-	-	-	-
-	-	42,624	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	18,567	-	-	-	-
-	4,000	-	-	10,673	-
-	-	46,121	-	-	-
-	8,207	-	-	-	-
-	-	-	-	-	-
-	7,317	-	-	-	-
-	-	-	-	-	-
-	360	-	-	-	-
-	-	-	-	-	-
4,366	-	-	-	-	-
4,000	-	-	-	-	-
-	-	-	-	-	-
-	7,100	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	8,090	-	1,692	-	-
\$ 8,366	\$ 53,641	\$ 88,745	\$ 1,692	\$ 10,673	\$ 35,171

Branch - Hillsdale - St. Joseph
Community Health Agency

SCHEDULE OF SUPPORT SERVICES - CONTINUED

MICHIGAN OFFICE OF SERVICES TO THE AGING

Year Ended September 30, 2006

	State Congregate Meals	State Home Delivered Meals	State Alternative Care	State Respite Tobacco
EXPENSES				
Personal care	\$ -	\$ -	\$ 21,133	\$ -
Homemaker	-	-	21,133	-
Chore service	-	-	-	-
Home delivered meals	-	125,825	-	-
Adult day care	-	-	-	44,054
Care management	-	-	-	-
Respite care	-	-	-	-
Case coordination and support	-	-	-	-
Congregate meals	5,019	-	-	-
Transportation	-	-	-	-
Legal Assistance	-	-	-	-
Information and referral	-	-	-	-
Home repair	-	-	-	-
Counseling	-	-	-	-
Friendly reassurance	-	-	-	-
Personal emergency response	-	-	-	-
Disease prevention and health promotion	-	-	-	-
Program development	-	-	-	-
Supplemental services	-	-	-	-
Ombudsman	-	-	-	-
MMAP	-	-	-	-
Administration	-	-	-	-
Other	-	-	-	-
TOTAL EXPENSES	\$ 5,019	\$ 125,825	\$ 42,266	\$ 44,054

State Respite Tobacco Administration	State Respite Escheat	State Care Management	State Administration	MMAP	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,568
-	-	-	-	-	50,569
-	-	-	-	-	3,753
-	-	-	-	-	229,283
-	13,000	-	-	-	57,054
-	-	93,931	-	-	93,931
-	22,803	-	-	-	43,494
-	-	-	-	-	20,673
-	-	-	-	-	186,797
-	-	-	-	-	38,837
-	-	-	-	-	9,000
-	-	-	-	-	7,317
-	-	-	-	-	4,000
-	-	-	-	-	360
-	-	-	-	-	5,340
-	-	-	-	-	4,366
-	-	-	-	-	4,000
-	-	-	-	-	16,139
-	-	-	-	-	7,100
-	-	-	-	-	4,000
-	-	-	-	9,248	9,248
4,357	-	-	6,880	-	51,772
-	-	-	-	-	9,782
\$ 4,357	\$ 35,803	\$ 93,931	\$ 6,880	\$ 9,248	\$ 907,383

Branch - Hillsdale - St. Joseph Community Health Agency

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE Passed through Michigan Department of Community Health Special Supplemental Nutrition Program for Women, Infants and Children (WIC) FY 05-06 Regular	10.557	N/A	\$ 626,833	\$ 626,833
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY Passed through Michigan Department of Environmental Quality State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	N/A	17,850	17,850
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through Michigan Department of Community Health Injury Prevention and Control Research and State and Community Based Programs FY 05-06 Traffic Safety	93.136	N/A	35,000	35,000
Family Planning - Services FY 05-06 Project ^(a)	93.217	N/A	118,936	118,936
Immunization Grants FY 05-06 Vaccine supply	93.268 ^(b)	N/A	826,859	826,859
FY 05-06 IAP		N/A	<u>69,518</u>	<u>69,518</u>
			896,377	896,377
Centers for Disease Control and Prevention - Investigations and Technical Assistance Bioterrorism	93.283			
Focus A		N/A	245,685	245,685
Pan Flu		N/A	<u>36,477</u>	<u>36,477</u>
			282,162	282,162
Cooperative Agreements for State-based Diabetes Control Programs and Evaluation of Surveillance Systems FY 05-06 ^(a)	93.988	N/A	40,000	40,000

Branch - Hillsdale - St. Joseph Community Health Agency

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Michigan Department of Community Health - continued				
Maternal and Child Health Services Block Grant	93.994			
FY 05-06 Local MCH CSHCS Block Grant		N/A	\$ 97,788	\$ 97,788
FY 05-06 Family Planning ^(a)		N/A	23,946	23,946
FY 05-06 Case Management Services (CC-LBS) ^(a)		N/A	<u>21,835</u>	<u>21,835</u>
			143,569	143,569
Passed through Michigan Department of Human Services and Michigan Department of Community Health				
Medical Assistance Program (Title XIX Medicaid)	93.778			
Medicaid Administration ^(a)				
FY 05-06		N/A	29,478	29,478
Passed through Michigan Department of Human Services				
Promoting Safe and Stable Families	93.556			
FY 05-06 Healthy Families Nurturing Community (St. Joe)		SFSC-06-75001	81,271	81,271
FY 05-06 Strong Families/Immunizations (Hillsdale)		SFSC-04-30002	25,000	25,000
FY 05-06		SFSC-06-30004	<u>11,078</u>	<u>11,078</u>
			117,349	117,349
Temporary Assistance for Needy Families	93.558			
FY 05-06 0-3 Secondary Prevention (Hillsdale)		CTFPR-05-30001	84,360	84,360
Community-Based Child Abuse Prevention Grants				
FY 05-06 Healthy Beginnings - Teens	93.590	CTFDS-04-30001	15,000	15,000
Passed through State Department of Office on Services to the Aging				
Title III-D Special Programs for the Aging	93.043			
(Disease Prevention and Health Promotion Services)				
FY 05-06		N/A	8,366	8,366
Title III-B Special Programs for the Aging	93.044 ^(c)			
(Grants for Supportive Services and Senior Centers)				
FY 05-06 Administration ^(a)		N/A	12,971	12,971
FY 05-06 Regular		N/A	<u>104,686</u>	<u>104,686</u>
			117,657	117,657

Branch - Hillsdale - St. Joseph Community Health Agency

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through State Department of Office on Services to the Aging - continued				
Title III-C Special Programs for the Aging (Nutrition Services)	93.045 ^(c)			
FY 05-06 Nutrition Congregate		N/A	\$ 135,657	\$ 135,657
FY 05-06 Nutrition Home Delivered Meals		N/A	60,834	60,834
FY 05-06 Nutrition Administration ^(a)		N/A	<u>21,889</u>	<u>21,889</u>
			218,380	218,380
National Family Caregiver Support	93.052			
FY 05-06 Administration ^(a)		N/A	5,675	5,675
FY 05-06 Regular		N/A	<u>53,641</u>	<u>53,641</u>
			59,316	59,316
Nutrition Services Incentive Program	93.053 ^(c)			
FY 05-06 Regular		N/A	88,745	88,745
Targeted Care Management	93.778			
FY 05-06 Regular		N/A	<u>1,692</u>	<u>1,692</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,256,387</u>	<u>2,256,387</u>
TOTAL FEDERAL AWARD EXPENDITURES			<u>\$ 2,901,070</u>	<u>\$ 2,901,070</u> ^(d)

Branch - Hillsdale - St. Joseph
Community Health Agency

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Branch - Hillsdale - St. Joseph Community Health Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on the following percentages of Federal participation.

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Title III-B Administration	93.044	32.0 %
Title III-C Administration	93.045	54.0
National Family Caregiver Administration	93.052	14.0
Medicaid Administration	93.778	56.1
Cooperative Agreements for State-based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	19.9
Family Planning – Services	93.217	78.7
Family Planning	93.994	15.9
Case Management Services (CC-LBS)	93.994	41.6

- (b) Denotes programs tested as "major programs".
- (c) Denotes programs required to be clustered by United States Department of Health and Human Services.
- (d) The following reconciles the federal revenues reported in the September 30, 2006, financial statements to the expenditures of the Agency administered federal programs reported on the Schedule of Expenditures of Federal Awards:

Federal/State Revenue (per fund financial statements)	\$ 4,750,131
<u>Less: Portions of grant funding considered "State" funding</u>	<u>(1,849,061)</u>
	<u>\$ 2,901,070</u>

Principals

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Public Health
Branch - Hillsdale - St. Joseph
Community Health Agency
Coldwater, Michigan

We have audited the basic financial statements of Branch - Hillsdale - St. Joseph Community Health Agency as of and for the year ended September 30, 2006 and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Branch - Hillsdale - St. Joseph Community Health Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Branch - Hillsdale - St. Joseph Community Health Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other matters that we reported to management and the Board of Public Health of Branch-Hillsdale-St. Joseph Community Health Agency in a separate letter dated December 15, 2006.

This report is intended solely for the information and use of the Board and management of the Branch - Hillsdale - St. Joseph Community Health Agency, pass-through grantors, and Federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 15, 2006

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Public Health
Branch - Hillsdale - St. Joseph
Community Health Agency
Coldwater, Michigan

Compliance

We have audited the compliance of Branch - Hillsdale - St. Joseph Community Health Agency with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major Federal programs for the year ended September 30, 2006. Branch - Hillsdale - St. Joseph Community Health Agency's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major Federal programs is the responsibility of Branch - Hillsdale - St. Joseph Community Health Agency's management. Our responsibility is to express an opinion on Branch - Hillsdale - St. Joseph Community Health Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Branch - Hillsdale - St. Joseph Community Health Agency's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Branch - Hillsdale - St. Joseph Community Health Agency's compliance with those requirements.

In our opinion, Branch - Hillsdale - St. Joseph Community Health Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2006.

Internal Control Over Compliance

The management of Branch - Hillsdale - St. Joseph Community Health Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Branch - Hillsdale - St. Joseph Community Health Agency's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board and management of Branch - Hillsdale - St. Joseph Community Health Agency, the pass-through grantors, and the Federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 15, 2006

Branch - Hillsdale - St. Joseph
Community Health Agency

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Reportable condition(s) identified that are not
considered to be material weakness(es)?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Reportable condition(s) identified that are not
considered to be material weakness(es)?

_____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported with
Section 501(a) of Circular A-133?

_____ Yes X No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.268

Immunization Grants

Dollar threshold used to distinguish between Type A and
Type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Branch - Hillsdale - St. Joseph
Community Health Agency

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2006

There were no findings disclosed for the past two years.

Principals

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MANAGEMENT LETTER

To the Board of Public Health
Branch - Hillsdale - St. Joseph
Community Health Agency
Coldwater, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of the Branch - Hillsdale - St. Joseph Community Health Agency for the year ended September 30, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are the result of our evaluation of the internal controls and our discussions with management.

1. The Board should adopt an investment policy that addresses the disclosure requirements of GASB Statement No. 40.

During the course of our audit and through discussions with management, it was noted that the Agency has not adopted an investment policy. Deposit and investment resources often represent significant assets of the Agency. These resources are necessary for the delivery of the Agency's services and programs. Effective for the year ended September 30, 2005, GASB Statement No. 40 was designed to inform financial statement users about deposit and investment risks that could affect the Agency's ability to provide services and meet its obligations as they become due. This issue was noted and reported in our audit comments last year.

We suggest the Board adopt an investment policy which addresses custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the Agency's financial statements by GASB Statement No. 40.

2. Budgets should be monitored and amended when necessary.

As noted in the financial statements, some of the activities of the Agency exceeded the amounts appropriated.

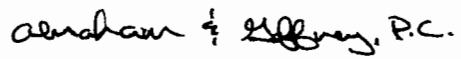
The Michigan Public Act 621 of 1978, as amended, provides that the Agency adopt a formal budget and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We suggest the Agency monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the financial statements dated December 15, 2006.

This report is intended solely for the use of management and the Board of Public Health of the Branch - Hillsdale - St. Joseph Community Health Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss this suggestion with you and to provide assistance in the implementation of improvements.

A handwritten signature in black ink, appearing to read "Abraham & Gaffney, P.C.", is written in a cursive style.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 15, 2006